

## Message Text

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INFO AMEMBASSY GABORONE

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C O N F I D E N T I A L MBABANE 0265

E.O. 11652: GDS

TAGS: BEXP, BTRA, US, WZ

SUBJECT: IHC PROJECT IN SWAZILAND

1. IHC REP FRANK ROSS CALLED ON MINISTER OF INDUSTRY, MINES & TOURISM S.S. NXUMALO ON MORNING OF FEB. 10. ALSO PRESENT WERE UNDER SECRETARY LEONARD SITHEBE, GOS TOURIST ADVISOR KURT STEINER, MINISTRY INDUSTRIAL ADVISOR WILLEMS AND CHARGE.

2. AFTER PRELIMINARY EXCHANGE OF GROWTH OF TOURIST INDUSTRY IN SWAZILAND, ROSS OUTLINED IHC REQUIREMENTS IF IHC WERE TO PROCEED WITH HOTEL PROJECT IN SWAZILAND. HE ASKED MINISTER TO SEND IHC A LETTER (1) GUARANTEEING THE AVAILABILITY OF A NEW SITE SELECTED BY ROSS AND GATT ON AN EARLIER VISIT; (2) STATING HOW MUCH GOS WAS PREPARED TO INVEST; AND (3) DESCRIBING GOS UNDERSTANDING OF IHC'S ROLE IN THE PROJECT. NXUMALO SAID HE WAS PREPARED TO SIGN SUCH A LETTER AND SUGGESTED THAT ROSS DRAFT IT IMMEDIATELY. NXUMALO STATED, HOWEVER, THAT SITE REQUESTED BY ROSS COULD NOT BE OBTAINED; IT WAS OWNED FREEHOLD BY AN ELDERLY RESIDENT OF SWAZILAND WHO HAD PREVIOUSLY REFUSED OFFERS BY THE KING HIMSELF. NXUMALO SUGGESTED ROSS LOOK AT OTHER SITES. ROSS SAID SITE HE AND GATT HAD CHOSEN WAS THE ONLY ONE IHC WOULD CONSIDER AT THIS TIME. NXUMALO SAID HE COULD NOT EXPROPRIATE,  
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WITH ALL THE REMIFICATIONS SUCH AN ACTION WOULD HAVE,

SIMPLY TO PROVIDE IHC WITH A SITE. THERE ARE OTHER GOOD SITES AVAILABLE WHICH ROSS SHOULD LOOK AT. ROSS REPLIED HE WAS NOT ASKING FOR EXPROPRIATION BUT THIS WAS ONLY SITE IHC WOULD CONSIDER. IF IT WAS NOT AVAILABLE, IHC WAS NOT INTERESTED IN HOTEL PROJECT IN SWAZILAND AT THIS TIME. THE MEETING ENDED ON THIS NOTE.

3. MINISTER NXUMALO WAS VERY ANNOYED AT ROSS' INSISTENCE THAT THE ONLY SUITABLE SITE WAS THE ONE WHICH IS UNAVAILABLE AND HIS UNWILLINGNESS TO EXAMINE ALTERNATIVES. OTHERS AT MEETING, INCLUDING CHARGE, ATTEMPTED PERSUADE ROSS TO VISIT OTHER POSSIBLE SITES, BUT HE WAS ADAMANT. HOWEVER, ABOUT AN HOUR AFTER THE MEETING WAS OVER, ROSS DECIDED THAT HE SHOULD LOOK AT OTHER SITES. CHARGE CONTACTED SITHEBE, WHO ARRANGED FOR STEINER TO ACCOMPANY ROSS ON SITE VISITS AFTERNOON OF FEB. 10 AND MORNING OF FEB. 11. ROSS ALSO DECIDED TO SEEK APPOINTMENT WITH SITHEBE OR NXUMALO TO EXPLAIN ATTITUDE AT THE MEETING AND TO PRESENT A DRAFT LETTER AS SUGGESTED EARLIER BY NXUMALO, BUT THEY WERE UNAVAILABLE TO SEE HIM PRIOR HIS DEPARTURE AT NOON FEB. 11.

4. COMMENT. IHC HOTEL PROJECT IN SWAZILAND HAS BEEN TROUBLED FOR PAST SIX MONTHS BY MISUNDERSTANDINGS AND MISTRUST GENERATED BY THE ACTIVITIES OF T. H. HUENERMANN, A LOCAL GERMAN FINANCIER WHO HAS BEEN INVOLVED IN THE PROJECT. ROSS CAME TO SWAZILAND APPARENTLY CONVINCED THE GOS WAS "USING" IHC AND LOOKING FOR AN EXCUSE TO TERMINATE IHC'S INVOLVEMENT. CHARGE WAS PRESENT ROSS-NXUMALO MEETING AT THE REQUEST OF NXUMALO, WHO HAD EXPRESSED INTEREST IN SEEING IF HOTEL PROJECT WITH IHC COULD BE REVIVED. ALTHOUGH ROSS ARRIVED IN SWAZILAND FEB. 8, HE DID NOT CONTACT CHARGE UNTIL TEN MINUTES BEFORE THE SCHEDULED MEETING WITH NXUMALO AND GAVE NO INDICATION OF LINE HE WOULD TAKE. ROSS LEFT SWAZILAND HOPING THAT SOMETHING CAN BE WORKED OUT, BUT HIS PERFORMANCE AT THE MEETING WITH NXUMALO MAKES THAT HIGHLY UNLIKELY. THE IHC HOTEL PROJECT IN SWAZILAND MAY NOT BE COMPLETELY DEAD, BUT AT THE MOMENT IT IS MORIBUND AT BEST.  
LANE

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